

FISCAL NOTE

Bill #: SB0097

Title: Clarify authority to dispose of residential, commercial, and industrial interests in state trust land

Primary Sponsor: Barkus, G

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	(\$47,998)
State Special Revenue	\$0	\$47,998
Revenue:		
State Special Revenue	\$0	\$51,727
Capital Projects Revenue	\$0	\$2,040
Trust Revenue	\$910,000	\$912,526
Net Impact on General Fund Balance:	\$0	\$47,998

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill would give the Department of Natural Resources and Conservation (DNRC) the authority to sell partial interests in state lands. DNRC has completed a programmatic Environmental Impact Statement process to develop a management plan that includes sale of partial interests in state lands but has not identified particular parcels where partial interests would be offered for sale.

Department of Natural Resources and Conservation

2. The department anticipates that the residential, commercial, and industrial interests sold as described in the Programmatic Environmental Impact Statement would represent approximately 910 acres of state trust land on an annual basis.
3. The average land value of the 910 acres is approximately \$2,000 per acre or \$1,820,000 per year. Gross revenue from the interests is estimated at 50 percent of the per acre value or \$910,000 per year.
4. Advertising costs for marketing the residential, commercial, and industrial interests would be expensed from existing spending authority in House Bill 2.

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5. The revenue from the conveyance of residential, commercial, and industrial interests is considered non-distributable and would be allocated to the permanent funds of the appropriate trust beneficiaries. For fiscal note purposes, the gross revenue was allocated based on surface acreage of the trusts as follows:

Non-Distributable	
<u>Beneficiaries</u>	<u>Revenue</u>
	<u>FY06/07</u>
Common School	\$816,743
Univ. of Montana	3,272
MSU-Morrill	11,189
MSU-Second	5,541
MT Tech	10,481
Normal School	11,189
Deaf & Blind	6,429
Reform School	11,954
Veterans Home	225
Public Buildings	<u>32,976</u>
Total	\$910,000

Office of Budget and Program Planning:

6. Proceeds from the first sales of partial interests in state lands will be deposited in the trust funds near the end of FY 2007. The average balances in the trusts in FY 2007 will be increased by the amounts shown in the table in assumption 5.
7. New deposits to the trust funds will earn interest at 6.186% in FY 2007. The trust beneficiaries will receive additional interest income as shown in the following table:

Increased Interest Earnings FY 2007	
<u>Beneficiaries</u>	<u>Revenue</u>
Common School (02/9)	\$50,524
Univ. of Montana (02)	\$202
MSU-Morrill (02)	\$692
MSU-Second (02)	\$343
MT Tech (02)	\$648
Normal School (02)	\$692
Deaf & Blind (02)	\$398
Reform School (02)	\$739
Veterans Home (02)	\$14
Public Buildings (05)	<u>\$2,040</u>
Total	\$56,293

Office of Public Instruction

8. 95% of the Common school trust interest earnings will be deposited in the guarantee fund (0.95 times 50,524 = 47,998). The remaining 5% or \$2,526 will be deposited into the trust.

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9. The guarantee fund is statutorily appropriated to school base aid. Increased revenue will increase guarantee fund expenditures and offset general fund expenditures.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	(\$47,998)
State Special Revenue (02)	<u>0</u>	<u>47,998</u>
TOTAL	\$0	\$0
<u>Revenues:</u>		
State Special Revenue (02)	\$0	\$51,727
Capital Projects (05)	0	2,040
Trust Funds (09)	<u>910,000</u>	<u>912,526</u>
TOTAL	\$910,000	\$966,293
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	\$47,998
State Special Revenue(02)	\$0	\$3,729
Capital Projects (05)	\$0	\$2,040
Trust Funds (09)	\$910,000	\$912,526

LONG-RANGE IMPACTS:

Revenue from sales of partial interests in state trust lands in FY 2007 and later years will be deposited in the trust fund. This will result in further increases in interest earnings in FY 2008 and later years.